

AMENDED IN ASSEMBLY JUNE 26, 2003

AMENDED IN SENATE JUNE 3, 2003

AMENDED IN SENATE MAY 21, 2003

**SENATE BILL**

**No. 588**

**Introduced by Senator Johnson**

February 20, 2003

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An act to amend ~~Sections 17070.75 and~~ *Section* 33128 of, and to add and repeal Section 17463.5 of, the Education Code, relating to school finance.

LEGISLATIVE COUNSEL'S DIGEST

SB 588, as amended, Johnson. Education finance.

(1) Existing law, the Leroy F. Greene School Facilities Act of 1998 (the Greene Act of 1998), requires the State Allocation Board to allocate to applicant school districts, prescribed per-unhoused-pupil state funding for construction and modernization of school facilities, including hardship funding, and supplemental funding for site development and acquisition.

~~Existing law requires the board to require participating school districts to establish a restricted account within the school district's general fund and to deposit an amount equal to 3% of the school district's general fund into the fund for maintenance of school facilities.~~

~~This bill would reduce the required minimum maintenance deposit to 2% of the school district's general fund.~~

~~(2) Existing~~

~~Existing law requires a school district to use the funds derived from the sale of surplus property for capital outlay or for costs of maintenance of school district property that the governing board of the school district~~

determines will not recur within a 5-year period. Existing law authorizes a school district having an average daily attendance of less than 10,001 in any fiscal year to deposit any and all interest earned on those funds into the general fund of the district if the district meets certain conditions.

This bill would, notwithstanding any other provision of law, and until January 1, 2006, authorize a school district to sell, sell back, lease, or leaseback certain surplus real and personal property, as provided, to deposit the proceeds into the general fund of the school district or county office of education, and to use the proceeds from this transaction for any general fund purpose.

~~(3)–~~

(2) Existing law requires the State Board of Education to adopt standards and criteria to be used by local educational agencies in the development of annual budgets and the management of subsequent expenditures from that budget. Existing law requires those standards and criteria to include comparisons and reviews of reserves and fund balances.

This bill would require the standards and criteria adopted for calculating a reserve to be based on a minimum amount or a percentage of the local educational agency's total expenditures from unrestricted resources, transfers out, and other uses. The bill would make conforming changes.

~~(4)–~~

(3) Existing law prohibits the State Board of Education from adopting standards and criteria for a budget reserve for economic uncertainties in excess of 1% of a school district's total expenditures, transfers out, and other uses of the school district for specified school districts, if the school district has agreed to a budget reserve of 1%. Existing law makes this prohibition inoperative on July 1, 2004, and repealed on January 1, 2005.

This bill would make that prohibition inoperative on July 1, 2005, and repealed on January 1, 2006.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. The Legislature finds and declares all of the  
2 following:



(a) California faces an unprecedented fiscal crisis, and the Legislative Analyst projects that the state will experience operating deficits of \$12 billion to \$16 billion every year, unless significant cuts in state spending are implemented.

(b) In a time of fiscal crisis, it is necessary for the state and local agencies to examine the priorities that are essential to the core of each agency's function.

(c) Public schools maintaining kindergarten and grades 1 to 12, inclusive, must be given relief from restrictive and costly state mandates so that school districts will have the operational and fiscal flexibility to manage their budgets within the context of the current budget crisis.

~~SEC. 2. Section 17070.75 of the Education Code is amended to read:~~

~~17070.75. (a) The board shall require the school district to make all necessary repairs, renewals, and replacements to ensure that a project is at all times maintained in good repair, working order, and condition. All costs incurred for this purpose shall be borne by the school district.~~

~~(b) In order to ensure compliance with subdivision (a) and to encourage school districts to maintain all buildings under their control, the board shall require an applicant school district to do all of the following prior to the approval of a project:~~

~~(1) Establish a restricted account within the school district's general fund for the exclusive purpose of providing moneys for ongoing and major maintenance of school buildings, according the highest priority to funding for the purposes set forth in subdivision (a).~~

~~(2) Agree to deposit into the account established pursuant to paragraph (1), in each fiscal year for 20 years after receipt of funds under this chapter, a minimum amount equal to or greater than 2 percent of the applicant school district's total general fund expenditures, including other financing uses, for that fiscal year. Annual deposits to the fund established pursuant to paragraph (1) in excess of 2 1/2 percent of the school district general fund budget may count towards the school district's matching funds requirement necessary to receive apportionments from the State School Deferred Maintenance Fund pursuant to Section 17584 to the extent that funds are used for purposes that qualify for funding under that section. In addition, any school district contribution to~~

~~this fund may be provided in lieu of meeting the ongoing maintenance requirements pursuant to Section 17014 to the extent the funds are used for purposes established in that section. A school district that serves as the administrative unit for a special education local plan area may elect to exclude from its total general fund expenditures, for purposes of this paragraph, the distribution of revenues that are passed through to participating members of the special education local plan area. This paragraph is applicable only to the following school districts:~~

~~(A) High school districts with an average daily attendance greater than 300 pupils.~~

~~(B) Elementary school districts with an average daily attendance greater than 900 pupils.~~

~~(C) Unified school districts with an average daily attendance greater than 1,200 pupils.~~

~~(3) Certify that it has publicly approved an ongoing and major maintenance plan that outlines the use of the funds deposited, or to be deposited, pursuant to paragraph (2). The plan may provide that the school district need not expend all of its annual allocation for ongoing and major maintenance in the year in which it is deposited if the cost of major maintenance requires that the allocation be carried over into another fiscal year. However, any state funds carried over into a subsequent year may not be counted toward the annual minimum contribution by the school district. A plan developed in compliance with this section shall be deemed to meet the requirements of Section 17585.~~

~~(c) A school district to which paragraph (2) of subdivision (b) does not apply shall certify to the board that it can reasonably maintain its facilities with a lesser level of maintenance.~~

~~(d) For the purposes of calculating a county office of education requirement pursuant to this section, the 2 percent maintenance requirement shall be calculated based upon the county office of education general fund less any restricted accounts.~~

~~SEC. 3.—~~

~~SEC. 2.~~ Section 17463.5 is added to the Education Code, to read:

17463.5. (a) Notwithstanding any other law, a school district may sell, sell back, lease, or leaseback, surplus real property, together with any personal property located thereon, owned by the district for at least 20 years, to any nonprofit, for profit, or

1 governmental entity; may deposit the proceeds thereof into the  
2 general fund of the school district or county office of education;  
3 and may use the proceeds from the sale, sale back, lease, or  
4 leaseback for any general fund purpose.

5 (b) A school district that purchased real property, together with  
6 any personal property located thereon, entirely with local funds  
7 may use the authority granted under subdivision (a) regardless of  
8 the length of time the district has owned the property.

9 (c) This section is repealed on January 1, 2006, unless a later  
10 enacted statute that becomes operative on or before January 1,  
11 2006, deletes or extends the date on which it is repealed.

12 ~~SEC. 4.—~~

13 *SEC. 3.* Section 33128 of the Education Code, as amended by  
14 Section 6.5 of Chapter 1168 of the Statutes of 2002, is amended  
15 to read:

16 33128. (a) The standards and criteria to be adopted by the  
17 State Board of Education pursuant to Section 33127 shall include,  
18 but not be limited to, comparisons and reviews of all of the  
19 following:

20 (1) Average daily attendance.

21 (2) Revenues and expenditures.

22 (3) Reserves and fund balance.

23 (4) Multiyear commitments.

24 (b) The standards and criteria adopted by the State Board of  
25 Education for calculating a reserve shall be based on a minimum  
26 amount or a percentage of the local educational agency's total  
27 expenditures from unrestricted resources, transfers out, and other  
28 uses.

29 (c) Notwithstanding paragraph (3) of subdivision (a), the State  
30 Board of Education shall not adopt standards and criteria for a  
31 budget reserve for economic uncertainties in excess of 1 percent  
32 of a school district's total expenditures from unrestricted  
33 resources, transfers out, and other uses of the school district for a  
34 school district that has an average daily attendance greater than  
35 125,000 if the school district has, by an affirmative vote of its  
36 governing board, agreed to a budget reserve of 1 percent.

37 (d) For the purposes of this section, "transfers out" and "other  
38 uses" of the school district have the same meaning as set forth in  
39 the California School Accounting Manual.

(e) This section shall become inoperative on July 1, 2005, and, as of January 1, 2006, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2006, deletes or extends the dates on which it becomes inoperative and is repealed.

~~SEC. 5.—~~

SEC. 4. Section 33128 of the Education Code, as amended by Section 6.7 of Chapter 1168 of the Statutes of 2002, is amended to read:

33128. (a) The standards and criteria to be adopted by the State Board of Education pursuant to Section 33127 shall include, but not be limited to, comparisons and reviews of all of the following:

(1) Average daily attendance.

(2) Revenues and expenditures.

(3) Reserves and fund balance.

(4) Multiyear commitments.

(b) The standards and criteria adopted by the State Board of Education for calculating a reserve shall be based on a minimum amount or a percentage of the local educational agency's total expenditures from unrestricted resources, transfers out, and other uses.

(c) For purposes of this section, "transfers out" and "other uses" have the same meaning as set forth in the California School Accounting Manual

(d) This section shall become operative on July 1, 2005.